

## Message Text

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PAGE 01 DACCA 00525 010231Z

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 XMB-02 EB-08 COME-00 AID-05

TRSE-00 L-03 CIAE-00 INR-07 NSAE-00 OMB-01 IGA-02

STR-04 SS-15 NSC-05 SP-02 /071 W

-----010259Z 131021 /73

R 311010Z JAN 77

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3406

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E.O. 11652: N/A

TAGS: BG, EINV, XMB, OPIC

SUBJ: FCIA, EXPORT-IMPORT BANK, AND OPIC RELATIONSHIP TO  
BANGLADESH

1. THE BDG IS INTERESTED IN TAKING THOSE STEPS NECESSARY TO IMPROVE THE INVESTMENT CLIMATE TO THE POINT WHERE OPIC WILL INSURE US INVESTORS AND FCIA AND THE EXIMBANK WILL UNDERTAKE GUARANTEES AND FINANCE US EXPORTS TO BANGLADESH. AN OPIC AGREEMENT HAS EXISTED SINCE 1975. NO ACTION HAS BEEN TAKEN UNDER THE AGREEMENT BECAUSE OF OUTSTANDING CLAIMS AGAINST THE BDG.

2. USG CLAIMS. WE HAVE JUST RAISED SOME OF THESE CLAIMS WITH THE CHIEF MARTIAL LAW ADMINISTRATOR, MAJOR GENERAL ZIAUR RAHMAN (DACCA 0398) AND BELIEVE THAT WE CAN EXPECT SOME FURTHER PROGRESS ON THESE ISSUES IN THE NEXT FEW WEEKS. OUR RESPONSE TO THE INDUSTRIES SECRETARY'S NOVEMBER 10 LETTER ON THE BELBAGCO NATIONALIZATION COMPENSATION ISSUE IS TO BE SUGGESTED BY OPIC (DACCA 0289 AND PREVIOUS). IT WOULD BE MOST HELPFUL TO HAVE THAT RESPONSE SOON.

3. PRIVATE CLAIMS. THE BDG HAS RECENTLY INFORMED US OF  
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PAGE 02 DACCA 00525 010231Z

THEIR DECISION TO PAY THE EIGHT YEAR OLD INSURANCE CLAIM OF ALEXANDER AND ALEXANDER. THIS LEAVES ONLY THREE PRE-INDEPENDENCE PRIVATE COMMERCIAL CLAIMS AGAINST BDG OWNED OR MANAGED AND PRIVATE FIRMS HERE. THE TOTAL CLAIMED IS ONLY AROUND \$11,700.

4. THE RECENT EXPRESSIONS OF BDG INTEREST IN RESOLVING THESE CLAIMS

STEMS IN PART FROM THE BDG'S DESIRE TO OBTAIN US BANK FINANCING FOR ITS PROPOSED \$200 MILLION JAIPURHAT LIMESTONE MINE AND CEMENT WORKS. VINNELL CORPORATION IS TO BE THIS PROJECT'S CONTRACTOR. VINNELL HAS FOUND THAT BANK FINANCING FOR THE PROJECT WILL REQUIRE FCIA AND OPIC BACKING. VINNELL HAS FOR THIS REASON BEEN A PARTICIPANT IN OUR MOST RECENT EFFORTS TO CLEAR UP THESE CLAIMS. VINNELL OFFICIALS HERE WHO RAISED THE ISSUE IN THE SPECIFIC CONTEXT OF DISCUSSIONS ON JAIPURHAT TELL US THE BDG IS NOW READY TO RESOLVE THESE CLAIMS. VINNELL OFFICIALS HAVE ASKED US TO LIST THOSE CLAIMS WHICH MUST BE RESOLVED BEFORE OPIC WOULD CONSIDER THE CLIMATE SUITABLE FOR THE ACTIVE PROMOTION OF PRIVATE FOREIGN INVESTMENT HERE.

5. WE BELIEVE THAT THE RESUMPTION OF COOLEY LOAN PAYMENTS AND THE BEGINNINGS OF A MEANINGFUL COMPENSATION PROGRAM FOR THE BELBAGCO NATIONALIZATION SHOULD BE A MINIMUM REQUIREMENT. TO THIS WE BELIEVE SHOULD BE ADDED REASONABLE ASSURANCES THAT OTHER NATIONALIZATION COMPENSATION AND COMMERCIAL CLAIMS ARE BEING SERIOUSLY CONSIDERED. IS THIS OPIC'S VIEW?

6. THE EXIMBANK AND FCIA HAVE SINCE INDEPENDENCE DECLINED TO FINANCE, OR GUARANTEE PAYMENTS, FOR US EXPORTS INVOLVING BANGLADESH. THE ECONOMY AND FOREIGN EXCHANGE RESERVE POSITION OF BANGLADESH HAVE IMPROVED IN THE PAST 30 MONTHS TO A POINT WHERE SOME EXIMBANK AND FCIA EXPOSURE IN BANGLADESH IS JUSTIFIABLE. THE EMBASSY WOULD LIMITED OFFICIAL USE

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PAGE 03 DACCA 00525 010231Z

APPRECIATE ANY COMMENTS EXIMBANK AND FCIA OFFICIALS MIGHT HAVE AS TO THE CONDITIONS ON WHICH EXIMBANK AND FCIA BASE THEIR LOAN/INSURANCE DECISIONS.

7. THE DESIRE TO NORMALIZE THE RELATIONS OF THE EXIMBANK AND FCIA WITH THE BANGLADESH GOVERNMENT HAS ALSO RECEIVED THE RECENT ATTENTION OF CATERPILLAR TRACTOR WHICH WISHES EXIMBANK SUPPORT FOR ITS EXPORTS TO BANGLADESH. WE ANTICIPATE THAT CATERPILLAR WILL APPROACH EXIMBANK ON THIS SUBJECT.

8. COMMENT: WE RECOMMEND THAT THE EXIMBANK AND FCIA CONSIDER MAKING LOANS AND GUARANTEES FOR US EXPORTS TO BANGLADESH. THE ECONOMIC SITUATION AND THE FOREIGN EXCHANGE RESERVE POSITION OF BANGLADESH HAVE RECENTLY IMPROVED TO A POINT WHERE SEVERAL US FIRMS ARE LOOKING HARD AT INVESTMENT POSSIBILITIES AND SALES HERE (DACCA 0422). BANGLADESH JOINED THE INTERNATIONAL FINANCE CORPORATION LAST YEAR

TO BE APPROVED BY YEAR-END. A TOTAL ABSENCE OF ANY  
EXIMBANK AND FCIA ACTIVITY NO LONGER SERVES US COMMERCIAL  
INTERESTS IN THE AREA.

9. WE RECOGNIZE THAT THE CURRENT EFFORTS TO RESOLVE OUR  
CLAIMS WITH THE BDG ARE MERELY THE MOST RECENT IN A LONG  
HISTORY OF SUCH EFFORTS. NEVERTHELESS, THE TIME HAS  
COME TO DECIDE SPECIFICALLY WHAT IS NEEDED BEFORE OPIC  
CAN BEGIN INSURING US INVESTMENTS HERE. SIMILARLY, WE  
URGE EXIMBANK AND FCIA TO REAPPRAISE THE CLIMATE HERE  
AND STAND READY TO RESPOND MORE FAVORABLY TO REQUESTS FOR SUPPORT OF  
US FIRMS' EXPORT SALES EFFORTS TO BANGLADESH. THIS MOST  
RECENT REQUEST TO THE BDG BY VINNELL WILL HELP, AND OUR JOINT  
EFFORTS MIGHT JUST BRING SIGNIFICANT PROGRESS SOON.  
END COMMENT.  
MASTERS

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## Message Attributes

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